

**The Use of Public Health Assistance
in Massachusetts in FY06:
Employers Who Have Fifty or More Employees
Using MassHealth or the Uncompensated Care Pool**

*A Report by the Executive Office of Health and Human Services
Division of Health Care Finance and Policy*

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EXECUTIVE SUMMARY

The Massachusetts Division of Health Care Finance and Policy annually releases this report, which identifies employers that have 50 or more employees receiving health services through publicly funded programs: MassHealth (Medicaid) or the Uncompensated Care Pool (UCP). This report covers state Fiscal Year 2006 (FY06), from July 1, 2005 through June 30, 2006.

During FY06, an estimated \$234.2 million in public funds were spent on health care services for employees (and their dependents) working for employers who had 50 or more employees receiving services from MassHealth or the UCP. This is a 10% increase over the FY05 estimate of \$212.6 million. The number of individuals identified as public beneficiaries increased by 4% from 159,300 to almost 166,000.

Eight of the top ten employers on the FY05 list remained in the top ten for FY06. The two remaining employers fell to within the top 20 employers for FY06.

In order to maintain consistency and comparability of results, the methodology used for this FY06 report is similar to that used for the FY05 report. The increases in costs and the number of beneficiaries between FY05 and FY06 may reflect increases in health care costs over the year or some slight improvements in identifying employers. Because of limitations in the data, however, caution should be taken when interpreting the results of these analyses; these limitations are described within. Ongoing efforts to improve the completeness and consistency of the data should lead to improved reporting in the future.

I. INTRODUCTION

Section 304 of Chapter 149 of the Acts of 2004 requires the Executive Office of Health and Human Services to conduct an analysis and produce a list of employers who have 50 or more employees using public health assistance each year. This is the third analysis conducted by the Division of Health Care Finance and Policy (DHCFP) in collaboration with staff from the Office of Medicaid, and covers the time period of state Fiscal Year 2006 (FY06), from July 1, 2005 through June 30, 2006. The legislation specifies that the report include the following information for each employer meeting the criteria:

1. Name and address
2. Number of public health access program beneficiaries, people using the Uncompensated Care Pool (UCP) or MassHealth members, who are employees of the employer
3. Number of public health access program beneficiaries who are spouses or dependents of the employees identified
4. Whether the employer offers health benefits to its employees
5. Cost to Commonwealth of Massachusetts for providing public health program benefits to employees and dependents.

The analysis estimates that in FY06, \$234.2 million in public funds were spent on health care for employees (and their dependents) working for employers who had 50 or more employees receiving services from MassHealth or the UCP.

In order to maintain consistency and comparability of results, the methodology used for this FY06 report is similar to that used for the FY05 report. The details of the methodology are described below.

II. BACKGROUND

Most people in Massachusetts, as is true throughout the United States, receive their health insurance benefits through their employer. A 2005 survey of Massachusetts employers conducted by the DHCFF found that nearly all firms with more than 50 employees offer health insurance (97%). High offer rates (95%) were also evident among firms with 25 to 50 employees, as well as among firms with 10 to 24 employees (88%).

Massachusetts employers also well subsidize insurance premiums for employees who take the offered health plans, with a median subsidy of 77% in FY05. This subsidy results in a reasonable employee premium cost and a good value for many working people who pay, on average, approximately \$80 per month for an individual plan and \$239 per month for a family plan.

However, many employees do not accept the health insurance offered by their employer, even if it is well subsidized. The rate of uninsured workers among firms with fewer than 50 employees is much higher (20.8%) than the uninsured rate among larger firms (4.6%). However, since a greater number of people are employed by large firms and it is likely that many of these workers are part-time and earn lower wages, a large proportion (40.2%) of the uninsured work for firms with 50 or more employees.

Many employees report cost as the primary reason for declining employer-offered insurance. In addition, some employees are not eligible for the insurance offered because they work part-time, or are newly employed. Others may not view the employer-sponsored insurance as a good value, or may have insurance available to them through a spouse. Finally, some employees are eligible for care through the state's MassHealth program or the UCP, both of which provide free or significantly subsidized health care.

In order to encourage employees who are eligible for public programs to enroll in their employer-sponsored insurance, MassHealth has developed several premium assistance programs. These programs strive to enroll people in their employer-sponsored plans by subsidizing premium cost, and by providing additional (wrap) coverage to supplement such plans. While these premium assistance programs encourage take-up of employer-sponsored health insurance and represent a partnership between private insurance and public coverage, only 35,232¹ people were enrolled in such programs during the time period examined. The costs for these employees are not included in this report.

¹ Derived from the MassHealth Eligibility and Enrollment Database for FY06. This includes Family Assistance-Direct Coverage, Premium Assistance with Limited, and Family Assistance Premium Assistance.

III. METHODS

This section describes the methods used by the DHCFP, working with staff from the Office of Medicaid, to conduct this analysis. Agency staff considered the available databases, feedback received on previous reports, and time and resource constraints. Some of the information required by statute was not available. Readers should carefully review this section to fully understand the analysis and data presented in this report.

Time Period

The information in this report is based on eligibility and claims data for Massachusetts state Fiscal Year 2006 (FY06), from July 1, 2005 through June 30, 2006, for both MassHealth and the Uncompensated Care Pool.

Consistency with FY05 Report

In order to maintain consistency in the report and allow for comparability in the results, only slight changes were made to the methodology developed for the FY05 report. The FY06 methodology includes the following:

- As in the FY05 report, the FY06 analysis includes the costs of MassHealth members enrolled in one of the four managed care organizations (BMC HealthNet Plan, Cambridge Network Health, Fallon Community Health Plan, and Neighborhood Health Plan). Costs associated with the Massachusetts Behavioral Health Partnership were also included in this report.
- The enhanced methods used to identify employers of UCP users in the FY05 report were continued for FY06. For the FY04 report, employer information was taken only from UCP claims. For the FY05 and FY06 analyses, if the employer information on a claim was missing or invalid, employer information was taken from the person's application for UCP eligibility. In the FY05 analysis, 36% of UCP users had valid employer information compared to 41% in FY06.
- Finally, analysis and data display adjustments continued in FY06 for those employed by franchises, based on the best data available. The issue of franchises is a complicated one. The databases used for this analysis do not permit identification of employees working for individually owned franchised establishments. Since employees tend to report the franchisor's corporate name as their employer (rather than the name of the franchise owner), the DHCFP analysis groups together all employees of all franchises under one corporate name, making them look like one large employer. In fact, many franchise owners own only one or two stores and are not likely to have 50 or more employees using public assistance. Furthermore, the franchise owner, not the franchisor corporation determines health care benefit decisions and other conditions of employment for individually owned franchises. As in the FY05

report, DHCFP removed five² employers from the list because they had no franchisor-owned establishments. Employers with at least one franchisee-owned store on the list were identified with an asterisk. These asterisked corporations represent a hybrid employer inasmuch as some of the employees work for franchisor-owned stores while others work for a franchisee-owned establishment. DHCFP staff researched franchisor/franchisee models by using information both from companies' websites and from www.franchise.org. Since the legislation specifies that this report be conducted only for employers with 50 or more employees using public health assistance, DHCFP staff determined that this approach to the analysis better meets the spirit of the legislation. It is fair to assume that this report includes franchisees with fewer than 50 employees using public health assistance, thereby increasing the total cost estimates.

Merging Files from MassHealth and the Uncompensated Care Pool

Employers were grouped by the number of employees using public health assistance during FY06. Employers with 50 or more employees using public health assistance (MassHealth and/or UCP) were identified for inclusion in this report based on information found in the claims database for MassHealth members, and the claims and eligibility database for UCP users. One consequence of merging the files from these discrete databases is that people who had claims billed to both the UCP and MassHealth for the time period examined could have been counted twice in reaching the 50-person threshold for inclusion, although costs for such people were not counted twice. Similarly, people who were enrolled in a MassHealth managed care organization (MCO) for part of the year and the primary care clinician program (PCC) for another part of the year would also be counted twice.

Identifying Public Health Assistance Beneficiaries

Public health assistance beneficiaries' data were included in this report if the program (either MassHealth or UCP) was the primary payer of their health services. MassHealth members enrolled in a premium assistance program were not included in this report and MassHealth members who had other insurance and whose claims were subject to third party liability payments (Medicare, etc.) were likewise not included in this report.

The legislation requires that information for employees and their dependents be presented separately. Unfortunately, this could only be accomplished for MassHealth members and their dependents; the UCP claims database does not allow for the identification of dependents' claims separately from those of the employee.

Employer Identification

The DHCFP, through its UCP application and claims process, requires information on each user's employer if the applicant is employed. However, since not all users are employed, information from this data field is often missing or invalid. If the employer

² The five employers that were removed include: Best Western Hotel, Comfort Inn, Dunkin Donuts, Subway, and Wingate Inns.

field on a claim was missing or invalid, information on an individual's employer was pulled from the person's UCP application just as it was in FY05. In FY06 DHCFP identified employers for 41% of UCP users compared with 36% in FY05. It is possible, however, that an employer identified from the application is no longer the employer of the person using the services. An individual may have changed his or her job between the time of applying for UCP eligibility and the time of receiving care (which can be up to a year after establishing UCP eligibility). This is also a limitation in the MassHealth analysis.

Employer information is further complicated by variations in the spelling of what was obviously the same employer. In FY06 DHCFP created a master list with a consistent spelling for each company so that staff could more easily group companies found in the MassHealth and UCP data. The master list was based upon all misspellings identified in the FY05 MassHealth and UCP data. This approach helped to ensure the consistency of the data on employers.

Employer Provision of Health Insurance

The DHCFP was unable to verify whether employers on the list offered health insurance to their employees. However, the employer survey conducted by DHCFP in FY05 revealed that most (97%) employers in Massachusetts with 50 or more employees offer health insurance to their employees. In addition, DHCFP staff had access to a file from the premium assistance program at MassHealth and obtained estimates of percentage contributions towards health insurance for those employers with employees participating in the premium assistance program. However, the information on an employer's contribution was not always current and was not available for every employer on the data list.

Costs of Care

Approximately 59% of UCP users did not identify a valid employer either on a claim or an application, and therefore, the costs associated with those users were not included in this analysis. For UCP users who reported working for more than one employer, the costs of UCP care were divided equally among the *valid* employers that were reported by the UCP user. For example, if an UCP claim noted three employers, each employer would be assigned 33% of the costs of that UCP claim. If an UCP claim indicated that a person worked for two employers, one of which was not valid, the valid employer would be assigned all of the costs for that claim.

The costs associated with dependents of employees who were MassHealth members were identified separately in the MassHealth database and thus are reported separately per the legislation. Unfortunately, DHCFP staff were unable to distinguish the costs of employees from the costs of their dependents using the UCP database, thus employee and dependent costs are combined for UCP users.

Massachusetts costs for UCP users were calculated by multiplying the dollars each provider charged the UCP by the provider's cost-to-charge ratio. Readers should note that not all of these costs were reimbursed by the UCP.

IV. RESULTS

The list of employers in this report provides information on employers who had 50 or more employees receiving public health assistance during state FY06 (July 1, 2005 through June 30, 2006), with the caveats noted in the Methods section above. The accompanying list provides the following information for each employer: employer name, number of MassHealth members and UCP users, total cost of care for MassHealth members and UCP users, UCP users, costs of care provided to UCP users, number of MassHealth members, costs of care provided to MassHealth members, number of MassHealth dependents, costs of care provided to MassHealth dependents, total MassHealth costs, total public health beneficiary count per employer, and the employer percent contribution to health insurance when available. The list is sorted by employer in descending order according to the total number of employees who accessed services from either MassHealth or the UCP.

The total cost of care for these employees and their dependents was estimated at \$234.2 million in FY06, an increase of 10% over the estimated \$212.6 million in FY05. Two-thirds of the cost increase was due to increased costs for care of MassHealth dependents, twenty-eight percent was for care of UCP users, and the remaining six percent was for MassHealth members. Services for UCP users were estimated to cost approximately \$48.0 million.

The growth in MassHealth members and UCP users was less dramatic: the number of UCP users actually decreased by 1%, the number of MassHealth members increased by 11%, and the number of MassHealth dependents by 1%. It appears that the rise in health care costs rather than the increase in the number of workers using public assistance drove the overall increase.

Of the top ten employers on the FY05 list, eight remained in the top ten for FY06. The other two employers stayed within the top 20.

Any interpretation of these findings should be tempered by the caveats detailed above: data limitations, including missing data, franchisor/franchisee ownership information, inconsistent provider reporting, and the difficulties inherent in merging multiple discrete data files.

Perhaps a larger, more fundamental problem with this analysis is that these data do not take into consideration the complex decision-making involved at the employer and employee level. The DHCFP does not have accurate information on whether the employees were full-time or part-time, the length of time employed, and whether they were eligible for the health insurance offered by their employer. In addition, at the time the service was provided, it is not certain that the employee still worked for the employer on record. These limitations, along with other issues mentioned throughout the report, make the data difficult to interpret.